

**PUBLIC DISCLOSURE**

FEBURARY 4, 2000

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**CITY OF BOSTON CREDIT UNION**

CITY HALL, ROOM 242  
BOSTON, MA. 02201

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## **GENERAL INFORMATION**

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with the safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of the City of Boston Credit Union prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"**

This examination was conducted utilizing three performance criteria for industrial credit unions: 1) Net Loan to Share and Deposit ratio; 2) Lending to Borrowers of Different Incomes; and 3) Fair Lending Policies and Practices. The two geographical orientated criteria were not considered as the credit union defines its membership by affiliation rather than location.

The credit union's lending activity has steadily increased from March 1998 through December 1999. The current average loan-to-share ratio of 71.6% represents a substantial increase in lending activity since the previous CRA examination when the ratio averaged 55.8%. The credit union demonstrates a reasonable distribution of lending among borrowers of different income levels, including low and moderate-income borrowers. Finally, the credit union's fair lending policies and procedures are considered adequate.

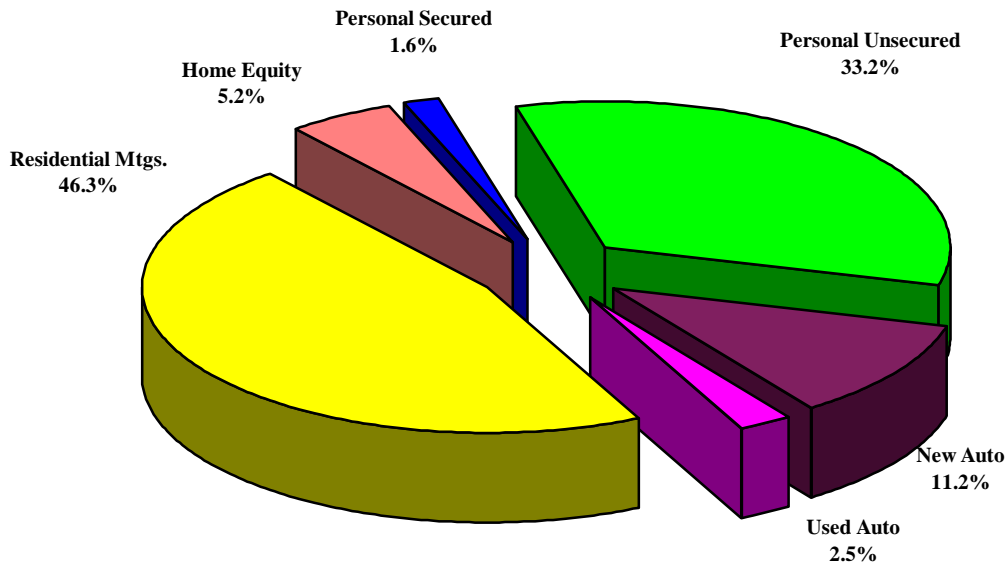
## **PERFORMANCE CONTEXT**

### **Description of Institution**

The City of Boston Credit Union is an industrial credit union chartered by the Commonwealth of Massachusetts in 1915 for the purpose of promoting thrift among its members and the loaning of such savings to its members. As an industrial credit union the City of Boston Credit Union is member rather than geographically orientated. As of December 31, 1999, the credit union had assets of approximately \$112.3 million with loans comprising approximately 66.5 percent of all assets, or a total of approximately \$74.6 million. The loan portfolio is composed of residential mortgages, home equity lines of credit, personal (secured and unsecured) loans, and new and used auto loans.

The following chart illustrates the composition of the loan portfolio.

**LOAN PORTFOLIO BY TYPE  
CITY OF BOSTON CREDIT UNION  
as of DECEMBER 31, 1999**



The credit union operates its sole office at Boston City Hall, Room 242 in Boston, Massachusetts. Office hours are from 9:00AM to 4:00PM, Monday through Friday. The credit union operates five ATM machines, which are connected to the NYCE, Cirrus and Exchange networks. The credit union is also a member of the SUM surcharge free alliance. The ATM locations include Boston City Hall, the Central Maintenance Facility Building at 400 Frontage Road, The Boston Parks Department Building at 1010 Massachusetts Avenue, Boston Police Headquarters at 1 Schroeder Plaza and the Transportation Building at 200 Frontage Road.

There appears to be no significant financial or legal impediments that would limit the credit union's ability to help meet the credit needs of its membership.

The credit union was last examined for compliance with the Community Reinvestment Act by the Division of Banks on January 27, 1998. That examination resulted in a Satisfactory rating.

### **Description of Assessment Area (Membership)**

In accordance with the revised Massachusetts CRA Regulation, 209 CMR 46.41(8), which states “Notwithstanding the requirements of this section, a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area. The City of Boston Credit Union has elected to identify its assessment area in this manner.

The credit union’s membership (per its bylaws) is limited to persons whose salaries, wages, compensation, pensions or annuities which are available for payroll deduction or transfer of funds and are paid in whole or in part by the City of Boston, Commonwealth of Massachusetts, or any district, commission or authority within the Commonwealth of Massachusetts, and employees of the credit union and family members.

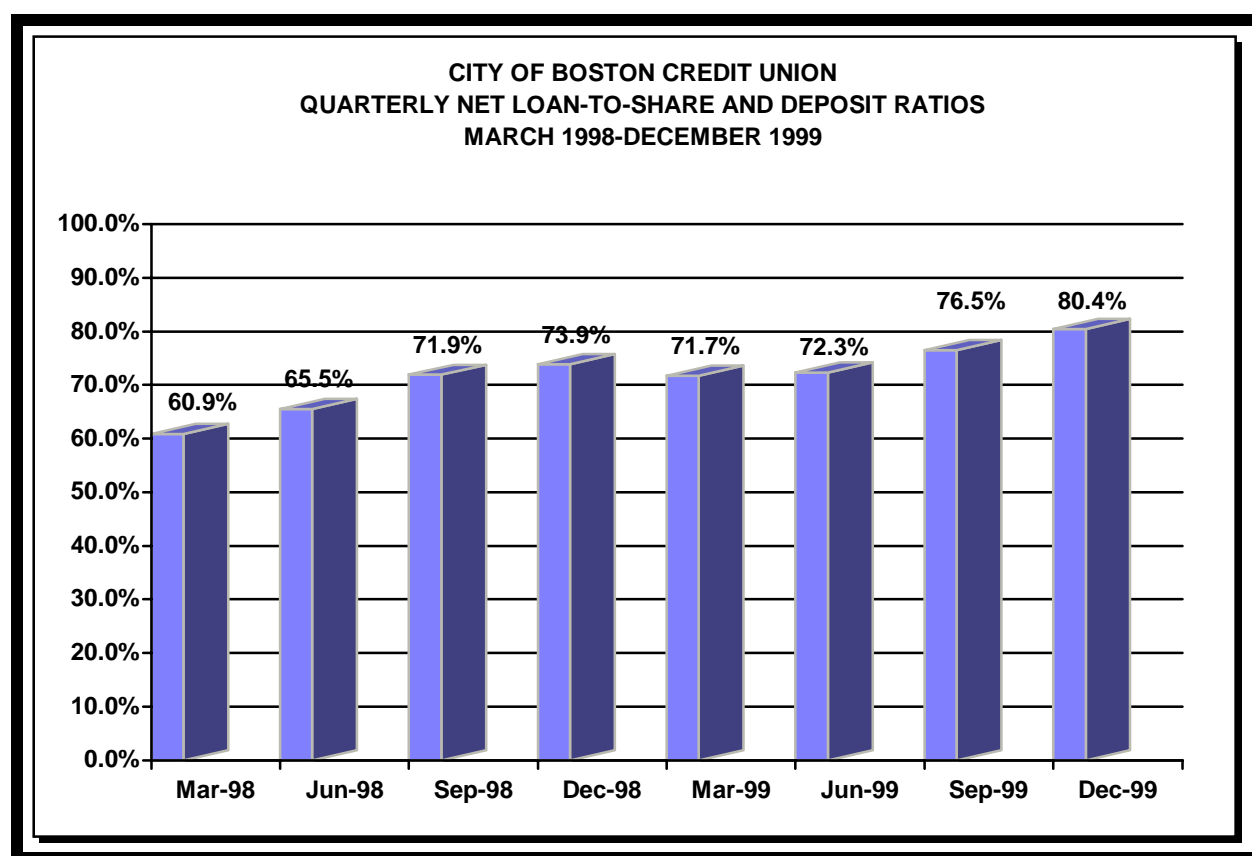
As of December 31,1999, the credit union’s membership totaled 15,407 with a potential of 30,000 members.

## **PERFORMANCE CRITERIA**

### **1. NET LOAN TO SHARE AND DEPOSIT ANALYSIS**

An analysis of City of Boston Credit Union's net loan-to-share and deposit ratio was performed during the examination. The calculation incorporated eight quarterly periods of the credit union's net loan to total shares and deposits by utilizing the NCUA (National Credit Union Administration) 5300 call reports. The net loan amount is total loans net of the allowance for loan and lease losses (ALLL). This review included the quarters ending March 30, 1998, through December 31, 1999. The institution's average net loan-to-share and deposit ratio was determined to be 71.6%.

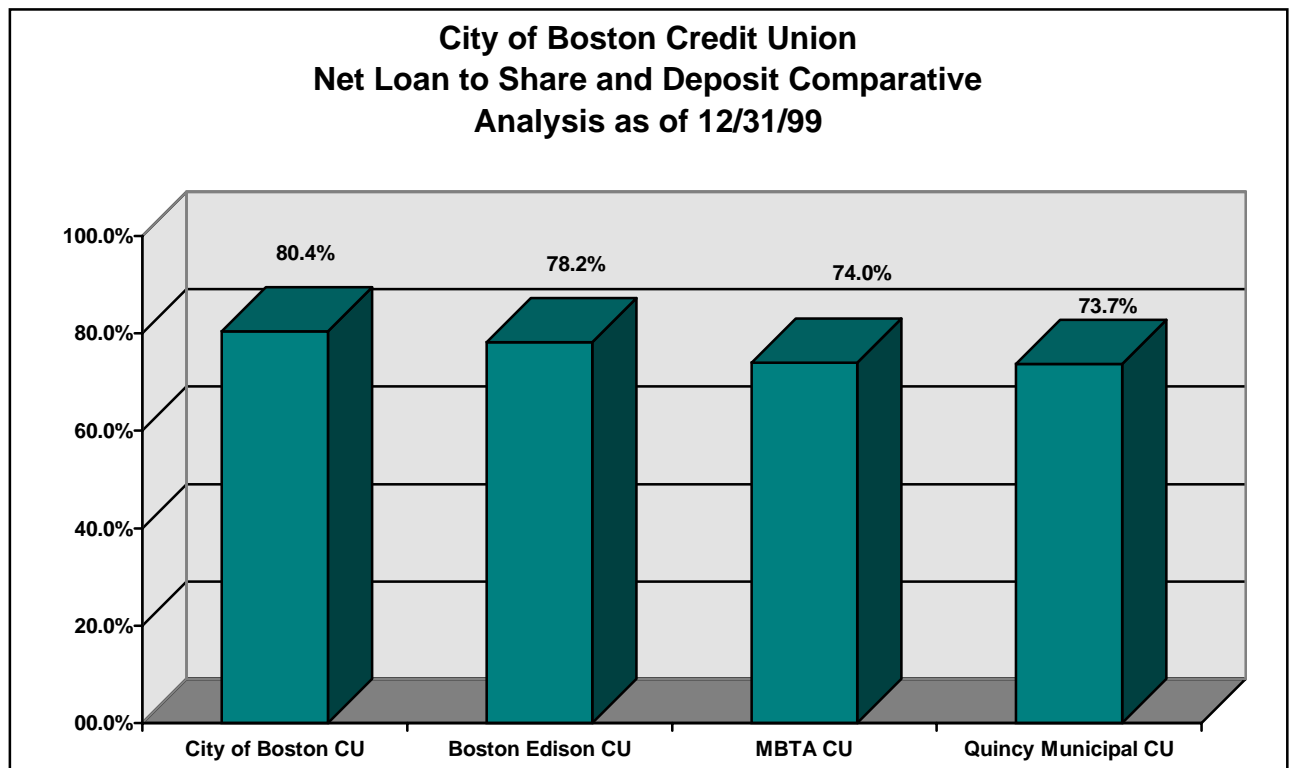
The following graph illustrates the net loan-to-share and deposit trends.



Source: NCUA Call Reports

According to this analysis the credit union's lending activity has increased by 47.6 % from March 1998 through December 1999, while shares and deposits have increased by 11.7% for the same period. The credit union's current average ratio of 71.6% represents a substantial increase in lending activity since the last examination when the ratio averaged 55.8%. According to credit union management, this upward trend is due in part to changes in the loan policy with regards to the need for co-makers as well as an overall increase in real estate lending. The Board of Directors reduced the length of service needed to qualify a co-maker from 10 years to 5 years.

The credit union's net loan to share ratio was also compared to that of other similar type credit unions. The following graph illustrates the net loan-to-share and deposit trends for these comparable institutions.



The credit union's net loan-to-share and deposit ratio is strong when compared to three other credit unions of similar size. With reference to the above graph the City of Boston Credit Union's net loan-to-share and deposit ratio of 80.4% is above the three other industrial credit unions.

Based on the above information and City of Boston Credit Union's capacity to lend, the capacity of other similarly-situated institutions to lend to their members and the lending opportunities available within the organization, City of Boston Credit Union's net loan-to-share and deposit ratio exceeds the standards for satisfactory performance.

## **2. LENDING INSIDE AND OUTSIDE OF THE ASSESSMENT AREA**

Under the revised CRA regulation, 209 CMR, section 46.41, a credit union whose membership by-law provisions are not based on residence, such as the City of Boston Credit Union, may define its assessment area as its membership. Since a membership-defined assessment does not consider any fixed limits on geography, an analysis involving credit extended inside or outside a particular defined geographic area would not be meaningful.

### 3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of residential mortgage loans and a sampling of consumer and home equity lines of credit extended within the credit union's assessment area, among borrowers of various income levels were conducted. Originations were categorized by the ratio of the applicant's reported incomes to the 1998 and 1999 estimated median family incomes of the Boston Metropolitan Statistical Area (MSA). The median family incomes for the Boston MSA were \$60,000 for 1998 and \$62,700 for 1999. Income figures were based on estimated 1998 and 1999 data from the Department of Housing and Urban Development (HUD).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as income between 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

#### **RESIDENTIAL MORTGAGES**

A review of residential mortgage loan originations revealed that 220 loans were originated during the current exam period. Of the number of loans, 1.0% were originated to low-income members, 11.8% were to moderate-income members, 34.5% were to middle-income members, and 49.5% to upper-income members. By dollar amount, the largest percentage of originations was also among upper-income borrowers who accounted for 56.9% of originations.

Refer to the following tables for further information.

#### **RESIDENTIAL MORTGAGE LOAN ORIGINATIONS** **BY INCOME OF BORROWER (BY NUMBER)**

% OF MEDIAN MSA INCOME	1998		1999		TOTAL	
	#	%	#	%	#	%
Less than 50%	1	0.7	1	1.4	2	1.0
50% - 79%	17	11.5	9	12.5	26	11.8
80%-119%	47	31.8	29	40.3	76	34.5
120% and over	76	51.4	33	45.8	109	49.5
N/A	7	4.6	0	0.0	7	3.2
<b>TOTAL</b>	<b>148</b>	<b>100%</b>	<b>72</b>	<b>100%</b>	<b>220</b>	<b>100%</b>

Source: HMDA data provided by CRA WIZ, Inc. for 1998 and 1999.

**RESIDENTIAL MORTGAGE LOAN ORIGINATIONS**  
**BY INCOME OF BORROWER (BY DOLLAR AMOUNT)**

% OF MEDIAN MSA INCOME	1998		1999		TOTAL	
	\$000's	%	\$000's	%	\$000's	%
Less than 50%	50	0.3	80	0.9	130	0.5
50% - 79%	1,316	7.8	770	7.8	2,086	7.9
80%-119%	5,231	31.1	3,402	34.6	8,633	32.4
120% and over	9,603	57.1	5,580	56.7	15,183	56.9
N/A	624	3.7	0	0.0	624	2.3
<b>TOTAL</b>	<b>16,824</b>	<b>100%</b>	<b>9,832</b>	<b>100%</b>	<b>26,656</b>	<b>100%</b>

Source: HMDA data provided by CRA WIZ, Inc. for 1998 and 1999.

**HOME EQUITY ORIGINATIONS**

A sample of 30 home equity lines of credit originated during the current examination period was reviewed to determine their distribution among borrowers of different income levels. According to this analysis, 50.0% of the originations were granted to upper-income members, 23.4% were to middle-income members and 13.3% were to both low-income members and moderate-income members. Refer to the following table.

**HOME EQUITY ORIGINATIONS BY INCOME OF BORROWER (BY NUMBER)**

% OF MEDIAN MSA INCOME	1998		1999		TOTAL	
	#	%	#	%	#	%
Less than 50%	3	20.0	1	6.7	4	13.3
50% - 79%	1	6.7	3	20.0	4	13.3
80%-119%	4	26.7	3	20.0	7	23.4
120% and over	7	46.6	8	53.3	15	50.0
<b>TOTAL</b>	<b>15</b>	<b>100%</b>	<b>15</b>	<b>100%</b>	<b>30</b>	<b>100%</b>

Source: Home equity loan sample data from 1998 and 1999.



An analysis of the home equity lines of credit sample by dollar amount was also performed. According to this analysis 46.7% of the originations by dollar amount were to upper-income members, 24.5% were to middle-income members, 14.6% were to moderate-income members and 14.2% were to low-income members.

**HOME EQUITY ORIGINATIONS BY INCOME OF BORROWER**  
**(BY DOLLAR AMOUNT)**

% OF MEDIAN MSA INCOME	1998		1999		TOTAL	
	\$000's	%	\$000's	%	\$000's	%
Less than 50%	82	18.5	25	8.0	107	14.2
50% - 79%	50	11.2	60	19.4	110	14.6
80%-119%	138	31.0	47	15.2	185	24.5
120% and over	175	39.3	177	57.4	352	46.7
<b>TOTAL</b>	<b>445</b>	<b>100%</b>	<b>309</b>	<b>100%</b>	<b>754</b>	<b>100%</b>

Source: Home equity loan sample data from 1998 and 1999.

**CONSUMER LOAN ORIGINATIONS**

A sample of 135 consumer loans originated during the current examination period was analyzed. According to this analysis, that the highest number of originations, 32.6%, was to low-income members, followed by 31.8% to moderate-income members.

**CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER BY NUMBER**

% OF MEDIAN MSA INCOME	1998		1999		TOTAL	
	#	%	#	%	#	%
Less than 50%	21	31.3	23	33.9	44	32.6
50% - 79%	24	35.8	19	27.9	43	31.8
80%-119%	19	28.3	19	27.9	38	28.1
120% and over	3	4.6	7	10.3	10	7.5
<b>TOTAL</b>	<b>67</b>	<b>100%</b>	<b>68</b>	<b>100%</b>	<b>135</b>	<b>100%</b>

Source: Consumer loan sample data from the 12,623 loans originated in 1998 and 1999. By dollar amount, the highest number of originations, 34.8%, was to middle-income members, followed by 30.7% to moderate-income members and 25.6% to low-income members.

**CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER BY DOLLAR  
AMOUNT**

% OF MEDIAN MSA INCOME	1998		1999		TOTAL	
	\$000's	%	\$000's	%	\$000's	%
Less than 50%	143	29.2	120	22.2	263	25.6
50% - 79%	180	36.8	135	25.0	315	30.7
80%-119%	143	29.2	215	39.9	358	34.8
120% and over	23	4.8	69	12.9	92	8.9
<b>TOTAL</b>	<b>489</b>	<b>100%</b>	<b>539</b>	<b>100%</b>	<b>1,028</b>	<b>100%</b>

Source: Consumer loan sample data from 1998 and 1999.

It should be noted that consumer loans typically consider the income of only one borrower. As such, it is not unusual that the percentage of loans to low and moderate income borrowers is higher for consumer loans than it is for residential mortgages especially considering that the median income figure used for analysis is based upon family income.

Based upon the above information, the credit union has shown a willingness to lend to applicants of all income levels, including those of low and moderate-income. Therefore, the distribution of credit among borrowers of different income levels meets the standards for satisfactory performance.

#### **4. GEOGRAPHIC DISTRIBUTION OF LOAN**

According to CRA regulations, an institution shall delineate one or more assessment areas by which the institution will serve to meet the credit needs of its community and by which the Division will evaluate the institution's CRA performance. A credit union whose membership by-laws provisions are not based on residence is permitted to designate its membership as its assessment area. Therefore, since the City of Boston Credit Union has defined its assessment area as its membership, as opposed to a geographical area, an evaluation of credit extended within defined geographic areas was not conducted, as such an analysis would not be meaningful.

## **5. REVIEW OF COMPLAINTS/FAIR LENDING**

City of Boston Credit Union has not received any complaints related to its CRA performance since the previous examination. However, the credit union has procedures in place should any consumer complaints related to CRA be received.

### **FAIR LENDING POLICIES AND PRACTICES**

The credit union has a fair lending policy, which was approved and adopted by the Board of Directors on February 15, 2000. The policy covers the criteria included in the Division's Regulatory Bulletin 2.3-101.

### **STAFF TRAINING**

In October 1999, the credit union's entire staff and the board of directors participated in a diversity awareness program presented by the Hyperion Consulting Group, Inc. This program's goals included; identifying obstacles to comfortable, productive cross-cultural interactions and developing strategies for facilitating effective communication during interactions which are challenging due to cultural differences. In addition, each participant attended three ½ hour follow up sessions conducted by representatives of the consulting group.

### **STAFF COMPOSITION AND COMPENSATION**

As of the examination date February 4, 2000 the credit union's staff consisted of 19 full time employees. The staff includes two minorities and a bilingual individual who speaks Spanish, French, and Portuguese.

### **OUTREACH**

The credit union conducts periodic member surveys to determine the needs of its membership. The latest survey was conducted during 1999 and resulted in over 400 responses being received by the Board of Directors.

### **CREDIT PRODUCTS AND UNDERWRITING STANDARDS**

The credit union offers a fixed rate 90 percent loan-to-value mortgage product. In addition, the credit union offers home equity lines of credit, as well as a variety of consumer loans.

Management continually reviews underwriting standards to ensure that no one is arbitrarily excluded from qualifying for a loan.

### **MARKETING**

The credit union utilizes literature in the office, statement stuffers, and bulletin boards as its primary tools for informing members and potential members of existing and new products. In addition, members share the merits of the credit union with others.

### **CREDIT EDUCATION**

The credit union does not participate in any credit education programs. However, members are assisted by the staff through the application process whenever necessary.

### **COUNSELLING**

Members of the credit union staff are available during regular office hours to assist all members who need direction and help with their finances. In addition, members who have problems qualifying for a mortgage loan in the credit union are referred to the Department of Neighborhood Development. This organization has programs geared for low and moderate-income individuals.

### **SECOND REVIEW PRACTICES**

A loan review committee consisting of the Vice President of lending, the Chief Executive Officer, and the chairperson of the credit committee performs second reviews of all denied applications.

### **INTERNAL CONTROL PROCEDURES**

The credit union uses its second review practice as its internal control procedure.



To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

**CITY OF BOSTON CREDIT UNION**

For compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **FEBURARY 4, 2000**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.